OVERVIEW

This Report includes two chapters on the Finance and Appropriation Accounts of the Government of Meghalaya for the year 2001-2002 and six other chapters, comprising three reviews and 49 paragraphs, based on the audit of certain selected programmes and activities and 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 liabilities of the State Government increased from Rs.1462.65 crore in 2000-2001 to Rs.1632.19 crore in 2001-2002 (12 *per cent*), while the assets grew from Rs.2420.28 crore to Rs.2556.27 crore (6 *per cent*). This was mainly due to deficit in the Government account leading to decrease in cash balance by 71 *per cent*.

The revenue expenditure (Rs.1156.93 crore) during the year exceeded the revenue receipts (Rs.1123.38 crore) resulting in a revenue deficit of Rs.33.55 crore. The growth rate of revenue receipts decreased from 20 *per cent* in 2000-2001 to 0.78 *per cent* in 2001-2002. Of the total revenue receipts, Rs.893.31 crore constituting 80 *per cent* came from State's share of Union taxes and duties and Central grants.

Revenue expenditure (Rs.1156.93 crore) during the year accounted for 88 *per cent* of the total revenue and capital expenditure of the State Government and increased by 7 *per cent* during 2001-2002 compared to previous year. The share of non-Plan expenditure to revenue expenditure during 2001-2002 was 76 *per cent* against 24 *per cent* under Plan side.

The payment of interest on borrowings of the Government increased by 115 *per cent* from Rs.60 crore in 1997-98 to Rs.129 crore in 2001-2002.

The average share of capital expenditure to total expenditure was only 15 *per cent* during the five years' period ending March 2002 and declined from 17 *per cent* in 2000-2001 to 12 *per cent* in 2001-2002.

Government fetched insignificant return of less than one *per cent* (0.004 to 0.61) out of the investment made in companies/corporations, etc. raising high cost borrowing during the five years 1997-2002.

The fiscal deficit of the State increased to Rs.221 crore in 2001-2002 from Rs.126 crore in 1997-98. This deficit during 2001-2002 was covered by public debt and partly from the opening cash balance.

The public debt and other liabilities of the State Government increased by 117 *per cent* from Rs.706.78 crore in 1997-98 to Rs.1535.42 crore in 2001-2002. Very little of the borrowings were available for investment after meeting the repayment obligations. Of Rs.397.25 crore received during 2001-2002, only Rs.12.22 crore (3 *per cent*) were 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 during the five years period ending March 2002 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 1.43 in 1997-98 to 0.86 in 2001-2002 indicating a worsening sustainability.

The ratio of Debt to Gross State Domestic Product had been increasing from 0.28 in 1997-98 to 0.37 in 2001-2002 signifying reduction in Government's ability to meet its debt obligations.

(Paragraph 1.11)

2. Appropriation audit and control over expenditure

During 2001-2002, expenditure of Rs.1394.97 crore was incurred against the total grant and appropriation of Rs.1835.30 crore resulting in a saving of Rs.440.33 crore (24 *per cent*). The overall saving was the result of savings of Rs.442.09 crore in 64 cases of grants and appropriations offset by excess of Rs.1.76 crore in three cases of grants and two cases of appropriations. The above excess of Rs.1.76 crore requires regularisation by the Legislature under Article 205 of the Constitution.

In 25 cases, supplementary provision of Rs.27.95 crore proved unnecessary in view of the aggregate savings of Rs.121.35 crore. On the other hand, in one case supplementary provision of Rs.1.13 crore proved insufficient by more than Rs.10 lakh leaving an uncovered excess expenditure of Rs.0.88 crore.

In 38 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 62 cases, expenditure of Rs.77.03 crore was incurred without any original or supplementary provision.

(Paragraphs 2.2 & 2.3)

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

(i) Rural Housing - Indira Awaas Yojana

Indira Awaas Yojana (IAY) and Pradhan Mantri Gramodaya Yojana – Gramin Awaas (PMGY-GA) were launched in the State during 1986-87 and 2000-2001 respectively as Centrally sponsored schemes to provide financial assistance for construction of houses to rural families living below the poverty line. The schemes had not been implemented effectively and efficiently though adequate funds were available. 14 to 49 *per cent* of IAY funds remained unspent every year (1997-2002). The impact of implementation of the schemes had not been evaluated.

The department failed to utilise the available funds of Rs.2.07 crore and Rs.6.97 crore under IAY and PMGY-GA respectively thereby depriving the shelterless families of the benefit of the schemes.

During 1997-2000, 173 dwelling units were constructed by the Block Development Officer, Betasing Block at a total cost of Rs.38.06 lakh in contravention of the scheme guidelines which prohibit construction of dwelling units by Government departments.

Contrary to the scheme guidelines, 444 dwelling units were constructed in two blocks during 1997-2002 at a total cost of Rs.0.98 crore with the plinth area measuring less than the prescribed minimum limit of 20 square metres.

Sanitary latrines and smokeless *chullahs* to be provided in the housing units constructed had not been provided in a large number of houses. The beneficiaries were also deprived of the infrastructure and common facilities despite utilisation of Rs.0.78 crore for the purpose.

Against Rs.7.48 crore due to the shelterless persons of East Khasi Hills and West Garo Hills Districts as *per* norms fixed by Government of India, assistance in kind valued at Rs.2.87 crore was provided to them, thus depriving them of the benefit of Rs.4.61 crore.

(Paragraph 3.1)

(ii) Review of Public Works Department including Manpower Management

The Public Works Department (PWD) undertakes construction, maintenance and repair of State highways, district and other roads, national highways, border roads as well as construction and maintenance of Government residential and non-residential buildings. The department is also responsible for roads taken up under North Eastern Council and Rural Infrastructure

Development Funds. Review of the working of the department during 1997-98 to 2001-2002 revealed significant shortfall in construction. The extent of quality control of materials used in the various works of the department was limited and men in position were in excess of actual requirement.

The expenditure of Rs.42.86 crore up to March 2002 on 48 road works had become unproductive, since these remained incomplete for periods ranging between one and eight years. Further, there was time overrun of one to over five years in the completion of 29 works resulting in cost overrun of Rs.5.67 crore.

The department incurred extra expenditure of Rs.15.83 lakh due to delay in finalisation of land acquisition process in respect of land acquired for construction of a road in West Khasi Hills District.

Failure of the department to complete construction of a road under South Jowai Division due to land dispute resulted in unfruitful expenditure of Rs.0.51 crore.

Deviation from the estimated provision in execution of earth work of a road resulted in extra expenditure of Rs.17.24 lakh.

Due to excess muster roll labourers and work charged staff over sanctioned norm the department incurred extra expenditure of Rs.20.29 crore.

(Paragraph 4.1)

(iii) Repair and maintenance of plant and machinery, equipment and transformers including procurement of transformers in Meghalaya State Electricity Board

Power generated by Meghalaya State Electricity Board in five hydel projects with installed capacity of 185.20 MW is transmitted through eight grid sub-stations and distributed through ten distribution divisions. There was failure on the part of the Board to ensure regular/routine maintenance of the turbine generating sets of the power stations as well as the transformers in service.

Frequent break down of the runner of two units of the Umiam Stage III Power Station led to generation loss of 101.30 million units of power with consequential loss of revenue of Rs.9.85 crore. Besides, there was further generation loss of 125.5 million units during 1996-2001 leading to loss of revenue of Rs.18.65 crore against forced outage of five power stations.

Delay in delivery of 134 transformers by the suppliers and receipt of 46 transformers in defective condition adversely affected distribution of power leading to loss of revenue of Rs.2.75 crore.

As a result of imbalancing of load, 1,330 transformers were received in the workshop for repair during 1997-2002 involving avoidable expenditure of Rs.1.31 crore.

The Board incurred loss of revenue of Rs.32.49 crore due to wastage of water from the Kyrdemkulai reservoir (Rs.31.97 crore) and delay in completion of overhauling of four units of Umtru Power Project (Rs.0.52 crore).

(Paragraph 8.2)

4. Other points of interest

(A) Civil

(i) Dairy Development in Meghalaya

Seven dairy development schemes under the Animal Husbandry and Veterinary Department are being implemented in the State with the objective of achieving overall development in the dairy sector. Under the schemes, milk is procured from Dairy Co-operative Societies/farmers for supplying wholesome milk to the consumers after pasteurizing in the departmental plants. The department had been incurring losses consistently on implementation of the schemes during 1997-98 to 2001-2002. The total loss incurred under six schemes during the period ranged between Rs.35.25 lakh and Rs.4.90 crore.

(Paragraph 3.3)

(ii) Irregularities in implementation of Swarnajayanti Gram Swarozgar Yojana

Swarnajayanti Gram Swarozgar Yojana (SGSY) was launched in the State in April 1999 as a Centrally sponsored scheme with the objective to bring the assisted poor families (*Swarozgaris*) above the poverty line in three years time by providing them income generating assets. The scheme had not been implemented effectively despite availability of adequate funds as only 4,291 families (23 *per cent*) were identified for coverage in three districts (East Khasi Hills, West Garo Hills and Jaintia Hills) during 1999-2002 against 18,884 families required to be covered. 67 to 82 *per cent* of the available funds remained unspent every year (1999-2002). There was no infrastructure development (except one in East Khasi Hills) till March 2002 to boost income generation of the *swarozgaris* despite expenditure of Rs.0.66 crore. Besides, there was locking up of Rs.21.28 lakh with the bank due to deposit of excess back end subsidy into Subsidy Reserve fund.

(Paragraph 3.4)

(iii) Unfruitful expenditure

Despite expenditure of Rs.0.50 crore, Central plan for establishment of a Biocontrol Laboratory in the State remained unfulfilled due to failure of the department in completing the external wiring of the laboratory building even after three years of construction.

(Paragraph 3.2)

The objective of providing drinking water to the villagers of West Garo Hills through "Hollaidanga Water Supply Scheme" had been frustrated despite expenditure of Rs.0.63 crore due to frequent theft of laid pipes.

(Paragraph 4.2)

(iv) Locking up of funds

Central grant of Rs.23.37 lakh sanctioned between March 1994 and March 1997 for implementation of "Computer Literacy and Studies in Schools" remained unutilised for period ranging from four to seven years thereby depriving the students of the benefit of computer literacy and studies.

(Paragraph 3.5)

Twelve X-ray machines procured at a cost of Rs.0.85 crore for installation at 12 Community Health Centres (CHC) could not be made functional even after two to three years due to lack of infrastructure like X-ray room, electric connection, etc. thereby depriving the patients of the benefit of high power X-ray machines.

(Paragraph 3.7)

(v) Avoidable extra expenditure

Lack of diligence in timely handing over the land taken by the Soil Conservation Department between January 1977 and January 1991 for cash crop (rubber) plantation resulted in avoidable extra expenditure of Rs.8.67 lakh.

(Paragraph 3.8)

Enhancement of rates for delay in handing over the site of work and drawings for construction of Auditorium, Art Gallery, etc. in the Art and Cultural Complex at Brookside Compound, Shillong resulted in extra expenditure of Rs.25.03 lakh.

(Paragraph 4.3)

(vi) Undue financial benefit

Rupees 18 lakh meant for establishment of wildlife sanctuary under East and West Garo Hills was placed at the disposal of a Government company. Such action of the department not only resulted in undue financial benefit to the company but also burdened the State finances due to retention of the amount outside Government account for about five years.

(Paragraph 3.6)

(B) Revenue

(i) Loss of revenue

Short-realisation of royalty (50 *per cent* against 100 *per cent*) on coal led to loss of revenue of Rs.7.25 crore.

There was loss of revenue of Rs.12.29 lakh due to non-accountal and non-deposit of sale proceeds of 1,695 tickets of Helicopter service besides temporary misappropriation of Government money of Rs.84.79 lakh.

(Paragraphs 6.9 & 6.24)

(ii) Evasion of tax

Delay in completion of assessment in respect of seven dealers led to the evasion of tax of Rs.10.59 crore and penalty of Rs.3.86 crore.

Owing to erroneous assessment, there was evasion of tax of Rs.9.51 lakh and penalty of Rs.14.27 lakh.

Failure of the department to register three dealers led to the evasion of tax of Rs.59.48 lakh.

One unregistered dealer carried out inter-State sale of goods valued Rs.2.94 crore and evaded tax of Rs.23.52 lakh.

(Paragraphs 6.13, 6.14, 6.15 & 6.18)

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

Excise duty of Rs.53.34 lakh leviable on spirit imported by a manufacturer of India Made Foreign Liquor was not realised.

There was short realisation of royalty of Rs.39.26 lakh due to incorrect application of rate.

Penalty of Rs.1.05 crore due on despatch of excess coal through mineral check gate was not realised.

Revenue of Rs.67.39 lakh from the Coal India Limited could not be realised due to failure of the Mining and Geology Department to initiate action.

Additional security of Rs.36.19 lakh due on carrying of coal in excess of permissible limit was not levied by the taxation check gate.

Fine of Rs.127.68 crore was not realised by the enforcement wing from 1,34,827 trucks carrying excess load of coal beyond permissible limit.

(Paragraphs 6.7, 6.8, 6.10, 6.11, 6.16 & 6.23)

(C) Commercial

(i) Blocking of fund

Setting up of a coal depot at Mawsmai without exploring its viability resulted in blocking up of fund of Rs.4.25 crore.

(Paragraph 8.4)

(ii) Loss of revenue

The Meghalaya State Electricity Board incurred loss of revenue to the extent of Rs.0.96 crore due to pilferage of energy (Rs.24.30 lakh), improper billing/waiver/non-levy of delayed payment charges (Rs.20.46 lakh) and theft of assets (Rs.51.12 lakh).

(Paragraphs 8.5, 8.6, 8.7 & 8.8)