

OVERVIEW

This Report includes three chapters on the Finance and Appropriation Accounts for the year 2002-03 and Internal Audit/Internal Control System of the Government of Meghalaya, and five other chapters, comprising five reviews and 50 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 revenue receipts (Rs.1,289 crore) of the State exceeded the revenue expenditure (Rs.1,205 crore) during 2002-03 resulting in a revenue surplus of Rs.84 crore. The relative share of central tax transfers and own taxes in the State's total revenue witnessed a declining trend with average annual shift rates of (-) 22.97 and 2.11 *per cent* respectively. Moderate growth of tax revenue and a declining trend in its relative contribution to total revenue were a matter of concern.

Revenue expenditure of the State increased from Rs.816 crore in 1998-99 to Rs.1,205 crore in 2002-03, at an average growth rate of 12.18 *per cent* per annum. On an average 81 *per cent* of total expenditure was on current consumption. Interest payments during 1998-2003 recorded an average annual growth of 20.97 *per cent*, whereas the economic services had a low annual growth of 7.88 *per cent*. With the non-developmental expenditure increasing at faster rate, relative allocation for economic services was curtailed.

The ratios of capital expenditure and developmental expenditure as percentage to total expenditure had lower values in 2002-03 compared to 1998-99. Medium term tendency of these ratios was also of deceleration. All these indicate poor expansion of State's developmental activities.

The fiscal deficit increased substantially and averaged Rs.198 crore during 1998-2003. Fiscal liabilities of the State were growing faster than its revenue receipts and own resources, ratio of fiscal liabilities to GSDP was on rise and interest spread, one of the critical parameters of debt sustainability was declining. Balance from current revenue (BCR) also continued to be negative. All these factors indicate increasing un-sustainability and vulnerability of State finances.

(Paragraphs 1.1 to 1.9)

2. Appropriation audit and control over expenditure

During 2002-03, expenditure of Rs.1,832 crore was incurred against the total grant and appropriation of Rs.2,182 crore resulting in a saving of Rs.350 crore (16 *per cent*). The overall saving was the result of savings of Rs.372 crore in 59 cases of grants and appropriations offset by excess of Rs.22 crore in four grants and three appropriations. The above excess of Rs.22 crore requires regularisation by the Legislature under Article 205 of the Constitution.

(Paragraphs 2.3 & 2.5)

3. Internal Audit and Internal Control System in Meghalaya

Internal Audit and Internal Control systems in the State had not yet gathered momentum. The internal audit of Government departments by the Examiner of Local Accounts mainly depended upon the desire of the concerned auditee departments indicating lack of independence in the system. There was absence of proper internal control in the Government departments which led to unrealistic budgetary provisions as well as serious deficiency in the control over expenditure.

(Paragraph 8.1)

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

(i) Welfare of the Handicapped

The Persons With Disabilities Act, 1995, which came into force in January 1996 and spells out the responsibility of the State towards the prevention of disabilities, protection of rights, *etc.* of disabled persons is being implemented in the State. There was little achievement in the matter of prevention and detection of disabilities as well as providing education and employment to the children/persons with disabilities. 85 to 100 *per cent* of the Central funds available under the National Programme for Rehabilitation of Persons with Disabilities remained unutilised thereby adversely affecting the interests of the disadvantaged group of people of the State.

(Paragraph 3.1)

(ii) Greater Shillong Water Supply Scheme

The Greater Shillong Water Supply Scheme, administratively approved by the State Government in January 1979 to overcome the problem of safe drinking water, remained incomplete even after 24 years despite expenditure of Rs.76.77 crore. Consequently, the benefit of safe drinking water could not be

extended to the targeted population.

(Paragraph 4.1)

(iii) *Rongai Valley Medium Irrigation Project*

The Rongai Valley Medium Irrigation Project is the first of its kind in the State which envisages construction of barrage across the river Rongai and unlinked canals to irrigate 5,153 hectares of land annually in the West Garo Hills District. Even after 13 years, the project as a whole remained incomplete thereby frustrating the objective of providing irrigation facilities to the projected area of land.

(Paragraph 4.2)

(iv) *Assessment, levy and collection of Amusement and Betting Tax*

Failure of the Government/department to initiate appropriate action led to non-realisation of amusement tax of Rs.1.26 crore and penalty of Rs.2.53 crore in five cases of registered proprietors of cinema halls.

Injudicious reduction of tax in five cases of registered proprietors of cinema halls without any basis led to loss of revenue of Rs.2.93 crore.

Failure of the Government to fix lump sum tax in nine cases led to non-levy of tax of Rs.1.99 crore.

Penalty of Rs.3.94 crore for delay in payment of tax, though leviable, was not levied.

Non-enforcement of revised rate of entertainment tax led to loss of revenue amounting to Rs.2.24 crore.

Incorrect realisation of advance tax at lower rate led to loss of revenue of Rs.4.18 crore.

Failure of the department to renew licences of 5,608 bookmakers led to non-realisation of renewal fee of Rs.1.81 crore.

(Paragraph 5.11)

(v) *Working of Mawmluh-Cherra Cements Limited*

Against the rated capacity of 1.65 lakh tonnes cement, the actual production of the Mawmluh-Cherra Cements Limited (Company) varied from 1.05 lakh to 1.22 lakh tonnes during the four year's period ending March 2002. During 2001-02, the operating loss of the Company was Rs.65 lakh.

(Paragraph 7.2)

5. Other points of interest

(A) Civil

(i) National AIDS Control Programme

For reducing the spread of Human Immunodeficiency Retro Viruses (HIV) infection under the National AIDS Control Project – Phase II (NACP-II), funds were being received by the Meghalaya AIDS Control Society (Society) from the National AIDS Control Organisation. Failure of the Society to utilise the available funds of Rs.2.70 crore and Rs.2.53 crore during 2001-02 and 2002-03 respectively adversely affected the implementation of the project.

(Paragraph 3.2)

(ii) Extra expenditure

The Housing Department incurred extra expenditure of Rs.1.12 crore on purchase of corrugated galvanised iron sheets at higher rates.

(Paragraph 3.5)

Delay on the part of the General Administration Department in approval of layout drawings of the second Meghalaya House, Calcutta, mutation of land and payment of required fees to the Calcutta Municipal Corporation resulted in extra expenditure of Rs.29.73 lakh.

(Paragraph 4.3)

(iii) Idle investment

Purchase of land for construction of Circuit House Building without ensuring its proper utilisation led to idle investment of Rs.50 lakh.

(Paragraph 4.4)

(B) Revenue

Excise duty on spirit imported for use in the manufacture of India Made Foreign Liquor was not realised resulting in loss of excise duty by Rs.4.84 crore.

(Paragraph 5.12)

There was short realisation of excise duty of Rs.75.62 lakh due to non-inclusion of import pass fee in determining the cost price of liquor.

(Paragraph 5.13)

Five bonded warehouses, one distillery and 10 retailers were functioning without getting their licences renewed, resulting in non-realisation of licence fee of Rs.38.56 lakh.

(Paragraph 5.14)

There was loss of revenue of Rs.29.97 lakh due to non-levy of import pass fee on India Made Foreign Liquor/beer imported from outside the State by different defence and para-military organisations.

(Paragraph 5.15)

Failure to bring 10,029 seized logs from forest area to safe custody resulted in loss of Rs.87.67 lakh.

(Paragraph 5.17)

Penalty of Rs.1.44 crore leviable on despatch of excess coal through mineral check gates was not realised.

(Paragraph 5.21)

Failure of Assessing Officers to realise tax in advance before lifting of liquor from warehouse and non-initiation of action to assess tax on best judgement basis resulted in loss of revenue of Rs.31.92 crore.

(Paragraph 5.22)

Belated payment/non-payment of tax by 12 registered dealers resulted in short levy of interest of Rs.17.53 lakh, besides non-levy of penalty of Rs.4.62 crore.

(Paragraph 5.23)

Twenty registered coal dealers concealed turnover of Rs.6.64 crore and evaded tax of Rs.53.06 lakh and penalty of Rs.79.59 lakh.

(Paragraph 5.24)

Penalty of Rs.30.93 lakh leviable against a dealer of Liquified Petroleum Gas for misuse of 'C' forms was not levied. Besides, the dealer evaded tax of

Rs.51.55 lakh including penalty due to concealment of turnover of Rs.2.06 crore.

(Paragraph 5.25)

Delay in completion of assessment in respect of a registered dealer led to the evasion of tax of Rs.25.92 lakh.

(Paragraph 5.26)

Failure to register 237 taxable vehicles under the Meghalaya Passengers and Goods Taxation Act led to evasion of tax of Rs.18.23 lakh.

(Paragraph 5.27)

Fine of Rs.81.05 crore was not realised by the Enforcement Wing of the Transport Department from 79,679 trucks carrying excess load of coal beyond the permissible limit.

(Paragraph 5.38)

The Transport Department sustained revenue loss of Rs.33.23 lakh due to failure in taking appropriate and timely action against 358 owners of commercial vehicles for using vehicles without payment of tax.

(Paragraph 5.39)

(C) Commercial

Loss of revenue

The Meghalaya State Electricity Board sustained revenue loss of Rs.5.55 crore due to failure to insert clause for levy of minimum monthly consumption charges in the tariff in respect of high tension consumers whose meters were in order (Rs.5.29 crore) and incorrect billing (Rs.0.26 crore).

(Paragraph 7.4)