

CHAPTER II : AUDIT OF TRANSACTIONS

Fraud/Loss

COMMUNITY AND RURAL DEVELOPMENT DEPARTMENT

2.1 Doubtful purchase of Corrugated Galvanised Iron Sheets

Expenditure of ₹ 56 lakh purported to have been incurred on procurement of corrugated galvanised iron sheets remained doubtful.

Schemes under the Special Rural Works Programme (SRWP) to be taken up in a particular constituency are identified/selected by the Member of the Legislative Assembly (MLA) of that particular constituency and after these are sanctioned by the Deputy Commissioner (DC) of the concerned district. Under the SRWP, Corrugated Galvanised Iron (CGI) sheets are purchased by the Department and distributed through the network of Community and Rural Development (C&RD) Blocks to beneficiaries.

A test-check (January-April 2011) of records of the Block Development Officer (BDO), Myllem C&RD Block revealed that the DC, East Khasi Hills District accorded sanction for purchase of 2,200 bundles of CGI sheets for distribution to the beneficiaries of 18-Pynthorumkhrah Constituency during 2006-09. The details are given in the table below:

Table 2.1

Year for which sanction accorded	Month/year in which sanction accorded by the DC	Amount sanctioned (₹ in lakh)	Quantity of CGI sheet (bundles) to be purchased
2006-07	October 2007	20	600
2007-08		20	600
2008-09	January 2009	40	1000

Based on the above sanctions, the BDO, Myllem C&RD Block issued to the Secretary, Pynthorumkhrah Development Committee (PDC)

- two work orders of ₹ 20 lakh each on 08 November 2007 to procure a total of 1,200 CGI sheet bundles and,
- another work order of ₹ 40 lakh on 15 July 2009 to procure 1,000 CGI sheet bundles.

Scrutiny further revealed that the Secretary, PDC

- with reference to the two work orders of ₹ 20 lakh each of 08 November 2007 submitted a proforma bill dated 17 November 2007 from a Guwahati-based

firm for supply of 1,333 bundles and three pieces of CGI sheets at a cost of ₹ 40 lakh on the basis of which the BDO, Myllem C&RD Block released ₹ 40 lakh to the Secretary, PDC on 21 November 2007.

- with reference to the work order of ₹ 40 lakh of 15 July 2009 the Secretary, PDC submitted an undated proforma bill from the same Guwahati-based firm for the supply of 1,000 CGI sheet bundles at a cost of ₹ 40 lakh on the basis of which the BDO, Myllem C&RD Block released ₹ 40 lakh to the Secretary, PDC on 16 July 2009.

In connection with the above transactions, the following comments are offered:

- The Secretary, PDC with respect to the ₹ 40 lakh released to him on 21 November 2007 did not submit to the BDO, Myllem C&RD Block the list of beneficiaries or their acknowledgement in support of the CGI sheets received by them.
- The Secretary, PDC with respect to the amount of ₹ 40 lakh released on 16 July 2009, submitted to the BDO, Myllem C&RD Block a list with the signatures of 226 beneficiaries in support of the CGI sheets distributed and another list of 320 beneficiaries against whom only their photographs were pasted against their names. This beneficiary list was not verifiable in the absence of details like the full address of the beneficiary, house number, quantity of CGI sheets distributed to each beneficiary, *etc.*
- On an enquiry by Audit, the Guwahati based firm in May 2011 informed that against the proforma bill (which was a proforma for quotations of this firm) of 17 November 2007, it had not supplied any CGI sheet as it did not receive any order to supply the same. Against its second bill of ₹ 40 lakh for supply of 1,000 CGI sheet bundles, it was paid ₹ 24 lakh on 10 August 2009 for supply of 600 CGI sheet bundles which it accordingly did on 11 August 2009.

Given the above facts and the failure of the Secretary, PDC to submit the beneficiary list in the first instance and the lack of confirmable details in the second, the veracity of purchase of 1,733¹ bundles and three sheets of CGI sheets remained questionable and the embezzlement of at least ₹ 56 lakh² paid to the Secretary, PDC could not be ruled out.

The C&RD Department stated (October 2011) that the distribution list of CGI sheets had since been received and that the Department had decided to initiate a thorough enquiry into the matter at the level of the DC, East Khasi Hills District.

¹ 1,333 bundles and 3 CGI sheets not purchased from the firm in November 2007 + 400 bundles (1,000 bundles purportedly ordered *minus* 600 bundles actually supplied by the firm in August 2009)

² ₹ 40 lakh released to the Secretary, PDC on 21 November 2007 + ₹ 16 lakh (₹ 40 lakh released to the Secretary, PDC on July 2009 *minus* ₹ 24 lakh actually paid to the firm)

URBAN AFFAIRS DEPARTMENT

2.2 Capricious management of parking lots by Meghalaya Urban Development Authority

Meghalaya Urban Development Authority incurred a loss of ₹ 65 lakh due to irregular allotment and management of parking lots.

The Meghalaya Urban Development Authority (MUDA) administers four parking lots (PL) in the State, all located in Shillong³. Parking fees are levied on vehicles using these facilities. These PLs were, after their construction, all initially managed by MUDA and thereafter either these were leased out to the lessees or managed by MUDA at different points of time. The operation/management of the four PLs from the time they were first operationalised up to March 2011, was reviewed by Audit in April 2011.

The following irregularities were noticed in the management of PLs during the period covered under audit.

- Four PLs since August 2006 were leased to ten lessees on different occasions. It was observed that only on two occasions did MUDA invite open tenders and in the remaining eight occasions PLs were leased out at various times to lessees who were arbitrarily selected without inviting tenders in violation of Government rules which expressly stipulate that public works be awarded or services obtained only on the basis of open tenders.
- These four PLs were leased (during 2006-11) to different private parties for periods of three months, 12 months and 13 months on different occasions. Some of these leases were subsequently extended for periods varying between one month and more than 27 months. On one particular occasion, the lease was extended four times while another lessee was informally allowed to operate a PL for two and-a-half months beyond the lease period.
- There was nothing on record to indicate how these lessees were selected on eight occasions when no tenders were invited and the rationale behind the decisions to extend these leases for varying periods of time.
- Except for two occasions when open tenders were resorted to, the lease amount was fixed by MUDA on *ad-hoc* basis. Also, there was nothing on record to indicate the basis by which MUDA had arrived at the lease amounts to be paid by the lessees. As a result, the financial interest was compromised as evident from the following cases.
 - It was observed that the Assistant Engineer, MUDA made an assessment on 02 February 2010 and assessed the daily collection of parking fees at Khlieh Iewduh PL at ₹ 14,420 per day which works out to ₹ 4.33 lakh per month.

³ Parking lots at Police Bazar, Khlieh Iewduh, Garikhana (Pahsyntiew PL) and Jhalupara (Mahavir PL) localities in Shillong

Despite having this information, MUDA leased the facility from 06 February 2010 to 31 August 2010 at ₹ 2.20 lakh per month and at ₹ 2.36 lakh per month from 06 September 2010 to 30 June 2011. Computed with reference to the collection of ₹ 14,420 per day as assessed by MUDA in February 2010, the minimum lease for these periods should have been ₹ 72.82 lakh⁴ against which MUDA stood to receive ₹ 38.17 lakh⁵ from the two lessees.

- From 16 January 2010 to 03 September 2010 when the Pahsyntiew PL, Garikhana was operated by MUDA, the average monthly parking fee collected was ₹ 1.28 lakh per month. However, MUDA decided to lease the facility for three months from 03 September 2010 at ₹ 1 lakh per month.
- Considering that MUDA collected ₹ 0.38 lakh as parking fees from the Mahavir PL, Jhalupara when it operated the facility for 27 days from 19 April 2008 to 16 May 2008, the minimum lease should have been ₹ 0.44 lakh per month. The PL was, however, leased from 17 May 2008 to 16 May 2009 for ₹ 2.50 lakh (₹ 0.21 lakh per month); 17 May 2009 to 16 May 2010 for ₹ 2.75 lakh (₹ 0.23 lakh per month); from 17 May 2010 to 31 August 2010 for ₹ 0.80 lakh (₹ 0.23 lakh per month) and from 04 September 2010 to 03 June 2011 at ₹ 0.23 lakh per month. Computed with reference to MUDA's collection of ₹ 0.44 lakh per month, the minimum parking fees to be collected from the two lessees should have been ₹ 15.66 lakh⁶ against ₹ 8.12 lakh⁷.to be actually paid by them.

In the above cases, MUDA incurred a loss of ₹ 43.03 lakh⁸ because the lease amounts to be paid by the lessees were fixed in *ad-hoc* manner.

➤ Barring two lessees, none of the other lessees furnished bank guarantees as no such condition was there in the lease agreements entered into by MUDA with these lessees. As such MUDA did not adequately safeguard its interests. As a result, MUDA could not recover ₹ 21.97 lakh from the lessees in the following cases, a situation which could have been prevented, had it been made mandatory for all lessees to furnish bank guarantees:

- two lessees did not pay ₹ 10 lakh and ₹ 9 lakh to MUDA as lease for the Police Bazar PL for the periods 16 November 2009 to 31 January 2010 and 22 December 2010 to 07 February 2011 respectively;
- one lessee did not pay ₹ 0.29 lakh to MUDA as lease for Khlieh Iewduh PL for the period 01 to 04 September 2010;

⁴ 207 days (06 February 2010 to 31 August 2010) plus 298 days (06 September 2010 to 30 June 2011) x ₹ 14,420 per day = ₹ 72.82 lakh

⁵ ₹ 15.05 lakh from 06 February 2010 to 31 August 2010 (6 months and 26 days) plus ₹ 23.12 lakh from 06 September 2010 to 30 June 2011 (9 months and 25 days)

⁶ 17 May 2008 to 03 June 2011 = 1113 days. (₹ 0.38 lakh ÷ 27 days) X 1113 days = ₹ 15.66 lakh

⁷ ₹ 6.05 lakh (₹ 2.50 lakh + ₹ 2.75 lakh + ₹ 0.80 lakh) plus ₹ 2.07 lakh (₹ 0.23 lakh per month x 9 months)

⁸ ₹ 34.65 lakh (₹ 72.82 lakh - ₹ 38.17 lakh) plus ₹ 0.84 lakh (₹ 0.28 lakh (₹ 1.28 lakh - ₹ 1 lakh) x 3 months) plus ₹ 7.54 lakh (₹ 15.66 lakh - ₹ 8.12 lakh)

- with respect to the Mahavir PL, a lessee deposited ₹ 2.50 lakh against the agreed amount of ₹ 3.75 lakh and failed to pay ₹ 0.63 lakh for the period 15 January 2008 to 18 April 2008 and, another lessee failed to deposit ₹ 0.80 lakh with MUDA being the lease for the period 17 May 2010 to 31 August 2010.
- Audit also noticed deficiencies in the system of stock keeping, issue of parking fee books and deposit of parking fees during the periods when the PLs were operated by MUDA as illustrated below:
 - MUDA did not maintain any stock register of parking fee books or details of their issue to MUDA personnel assigned to collect parking fees. Parking fees collected by the staff was being deposited with the Accounts branch of MUDA on the next day. It was observed that no crosschecks were carried out with reference to the counterfoils of the fee books to validate the amounts deposited. MUDA also failed to furnish the counterfoils to Audit in the absence of which it was also not possible for Audit to carry out this exercise. The absence of these rudimentary controls left scope for pilferage of parking fees.
 - A study of the ticketing system at Police Bazar PL revealed that the vehicle's registration number and the time of entry are recorded on three parking ticket counterfoils by hand at the entry point to the PL. While the first counterfoil is retained at the entry point, the other two are handed over to the vehicle driver. At the exit point (the exit and entry points to the parking lot are at different locations), the driver is required to present the two counterfoils and make the necessary payment. One counterfoil is retained at the exit point while the other is given to the driver. Since the parking fees fixed by MUDA are for the first one hour and every subsequent hour thereafter⁹, the parking fee levied and collected at the exit point is dependent on the duration the vehicle has been in the PL. It was noticed that neither the time of exit of the vehicle nor the amount of money collected from each vehicle owner was ever recorded in the counterfoils retained by MUDA at the exit point. This practice also left ample scope for pilferage of revenue.

MUDA's manifestly capricious management of the four PLs was due to its failure to formulate a clearly defined policy with regard to the administration of these facilities.

Accepting the audit contention, Urban Affairs Department stated (November 2011) that it was in the process of framing guidelines for management of PLs and added that the lease amount to be paid by lessees was fixed after taking into account ground realities. Further, it was stated that necessary steps would be initiated to safeguard the financial interest.

⁹ As of April 2011, the parking fees fixed by MUDA for the Police Bazar parking lot was ₹ 10 for the first hour and ₹ 5 for every subsequent hour in the case of cars and ₹ 5 and ₹ 2 respectively in the case of two wheelers.

Extra/Wasteful Expenditure

SOCIAL WELFARE DEPARTMENT

2.3 Extra expenditure on procurement of milk powder

Extra avoidable expenditure of ₹ 88.73 lakh due to injudicious decision of the Purchase Board and procurements made without inviting tenders.

The objective of the Supplementary Nutrition Programme (SNP) is to supplement the nutritional intake of children up to the age of six years and pregnant women and nursing mothers belonging to landless agricultural labourers, marginal farmers, SC/ST and other poor sections of the community. Four items, viz., milk powder, malted milk food, biscuits and ready-to-eat noodles comprise the 'non-conventional food items' component of the SNP.

Procurements made without inviting tenders was a serious violation of the Meghalaya Preferential Stores¹⁰ Purchase (MPSP) Rules, 1990 which stipulates invitation of open tenders by the Government departments while making purchases of any item.

Mention was made in paragraph 2.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2010 in respect of the Government of Meghalaya (GOM) regarding excess expenditure on procurement of ready-to-eat noodles under the SNP without assessing competitive rates. Scrutiny (August 2011) of records of the Director of Social Welfare (DSW), GOM further revealed that the Directorate had been procuring the 'non-conventional items' under SNP without inviting tenders. Ready-to eat noodles were being purchased at ₹ 145.33 per kg from M/s AA Nutritions, Ri-Bhoi District since September 2009, milk powder and malted milk food were being purchased at ₹ 185 per kg and ₹ 254 per kg respectively from Continental Milkose (India) Ltd. (CML), New Delhi since October 2009 and biscuits at ₹ 125 per kg from Kishlay Foods Pvt. Ltd., Guwahati since April 2010.

On 03 November 2010, the DSW invited tenders for supply of 'non-conventional food items' under SNP. The last date for submission of tenders was 30 November 2010. However, the tenders received were not opened since Government directed the Department on 26 November 2010 to keep the tender process in abeyance in view of allegations and criticism in newspapers against the conditions of the Tender Notice. By the same order, the Department was also directed to stop procurement of two 'non-conventional food items' viz. ready-to-eat noodles and biscuits. Subsequent to this development, the DSW thereafter, under the SNP, continued to procure milk powder and malted milk food from CML at ₹ 185 and ₹ 254 per kg respectively.

In December 2010, CML requested the DSW to increase the rate of milk powder from ₹ 185 per kg to ₹ 231 per kg on which however, the DSW did not take any action. On

¹⁰ Stores include all manufactured, assembled and processed items.

07 April 2011 the DSW placed an order with CML to supply 2.07 lakh kg of milk powder at the rate of ₹ 185 per kg for the quarter commencing 01 April 2011. Though CML again on 13 April 2011 requested the DSW to enhance the rate and expressed its inability to supply at the old price, it nevertheless supplied 1.93 lakh kg of milk powder in May 2011 for which it presented the DSW with 44 bills between 16 May and 25 May 2011. In every bill, CML clearly indicated that the rate was ₹ 185 per kg of milk powder.

The balance 0.14 lakh kg of milk powder was supplied in June 2011. For this quantity, CML through four bills presented in June 2011 charged DSW at the rate of ₹ 231 per kg.

Meanwhile the DSW in May 2011 collected the rates of milk powder of four other manufacturers and on 23 May 2011 requested the Deputy Secretary of the Department to place CML's request for enhancement of the price of milk powder before the Department's Purchase Board (PB) for consideration. The PB in its meeting held on 25 May 2011 after comparing the rates of the other manufacturers agreed to enhance the price of milk powder supplied by CML from ₹ 185 to ₹ 231 per kg with retrospective effect from 01 April 2011. This decision was communicated to the Director, DSW on 06 June 2011. Accordingly, the latter made payments in July 2011 totaling ₹ 4.77 crore to CML at the enhanced rate of ₹ 231 per kg for the 2.07 lakh kg of milk powder supplied as against the amount of ₹ 3.89¹¹ crore actually billed by the firm.

Audit observed that the PB's decision to increase the rate retrospectively was injudicious since CML, notwithstanding its request for a price hike, had between 16 and 25 May 2011, willingly supplied 1.59 lakh kg of milk powder to the DSW and also billed for the same at the rate of ₹ 185 per kg. Hence, there was no compelling reason or obligation for the PB subsequently on 25 May 2011 to enhance the rate of milk powder retrospectively from 01 April 2011.

Thus, the imprudent decision of the PB resulted in an undue financial benefit of ₹ 88.73 lakh¹² to CML and correspondingly, entailed an extra expenditure of the same amount to the DSW.

Further, beneficiaries under SNP in the State since November 2010 were being deprived of the full benefits of the SNP as procurement of ready-to-eat noodles and biscuits were stopped. Moreover, the fact that the DSW was sourcing milk powder and malted milk food from CML since October 2009 without inviting tenders was highly irregular. Despite this, the DSW had not taken any step to re-invite tenders for supply of 'non-conventional food items' under the SNP.

The Social Welfare Department stated (November 2011) that the milk powder was procured directly from the manufacturer with the approval of the State Government as well as on the recommendation of the District Level Committees who were

¹¹ ₹ 3.57 crore (1.93 lakh kg @ ₹ 185 per kg) + ₹ 31.84 lakh (0.14 lakh kg @ ₹ 231 per kg)

¹² ₹ 4.77 crore (amount paid by DSW) - ₹ 3.89 crore (amount billed by CML)

empowered to approve the rate of food items and the rate was enhanced from the first quarter of 2011-12 considering the escalation of prices. The reply is not convincing because the rate of ₹ 185 was fixed without assessing the competitive rate and this rate was also enhanced retrospectively from 01 April 2011 by about 25 per cent within 20 months and without any compelling reason or obligation.

URBAN AFFAIRS DEPARTMENT

2.4 Wasteful expenditure

A bus terminal constructed at a cost of ₹ 31.12 lakh was not being used even after three years of its completion.

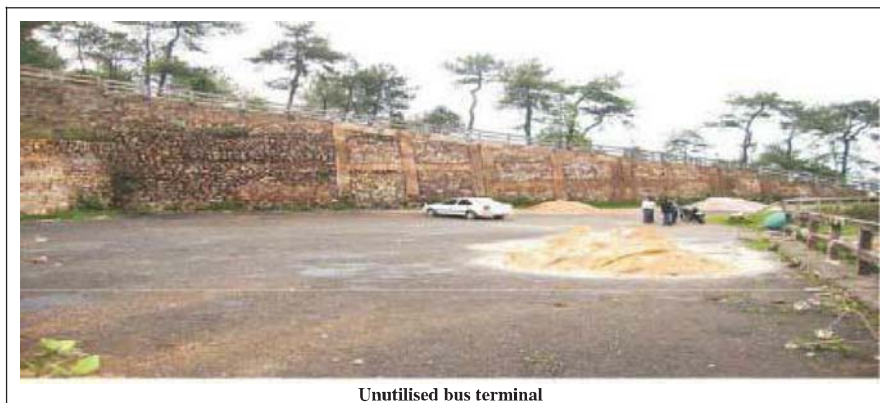
To ensure free flow of vehicular traffic along National Highway 44, the Urban Affairs Department (UAD), in March 2002 accorded administrative approval and technical sanction for construction of a bus terminal at Mawblei, Madanryting, Shillong at an estimated cost of ₹ 31.12 lakh (mini bus and city bus terminal: ₹ 29.80 lakh; public utility and dust bin: ₹ 1.32 lakh). The construction of the terminal was awarded in September 2002 to two contractors at their tendered value of ₹ 14.46 lakh each with the stipulation that the work be completed by January 2003.

The construction of the terminal was delayed and completed only in February 2008 at a cost of ₹ 31.12 lakh¹³. The delay occurred as rock was encountered during excavation of the sub-soil which necessitated revision of the estimate and modification of original drawings and design and, one of the original contractors discontinuing the job midway after executing work of the value of ₹ 18.56 lakh. The revised administrative approval and technical sanction was accorded in March 2007 and April 2007 respectively and the remaining work completed through three contractors at a cost of ₹ 12.47 lakh. According to the UAD, the asset was handed over to the Meghalaya Urban Development Authority (MUDA) in January 2009 for management and maintenance.

To ascertain the actual status of the bus terminal, a physical inspection of the facility was jointly conducted on 11 May 2011 by Audit and the EE, UAD during which it was noticed that -

- the terminal had become a dumping ground for construction material like stone chips and sand of unknown persons;
- two pillars at the entrance of the terminal were totally broken and lying on the ground and some of the railings at the front were also found broken; and,
- the entrance to the toilet had become a dumping place for garbage.

¹³ includes an expenditure of ₹ 0.09 lakh on tender notice



Unutilised bus terminal



Broken railing on the front side

Thus, failure to operationalise the terminal even more than three years after its completion rendered the expenditure of ₹ 31.12 lakh incurred on it wasteful besides also raising the question about the requirement this facility at the first place.

Urban Affairs Department stated (July 2011) that though the dumping of construction material and garbage indicated lack of up-keeping of the complex by MUDA, the asset created was still in tact and would be used as a bus terminus. The reply was indicative of the fact that the utilisation of the asset still remained uncertain.

Unfruitful/Unproductive Expenditure

BORDER AREAS DEVELOPMENT DEPARTMENT

2.5 Unfruitful expenditure on establishment of Piggery Farm

The Department incurred unfruitful expenditure of ₹ 10 lakh due to failure to operationalise the piggery farm at Nongsning village.

For “Piggery scheme in respect of Self Help Group (SHG), Nongsning”, the District Animal Husbandry and Veterinary Officer (DAH&VO), Jaintia Hills District approved an estimate for ₹ 15 lakh, which included construction of shed (₹ 10.02

lakh), cost of 36 sows and eight boars (₹ 0.48 lakh), cost of concentrate feed for 44 parent stock (₹ 4 lakh) and transportation, equipment, *etc.* (₹ 0.50 lakh). The State Level Screening Committee, however, approved the scheme (August 2006) at a cost of ₹ 13.20 lakh. Accordingly, the Director, Border Areas Development (BAD) Department issued a work order in March 2007 to the President of the SHG, Nongsning village for construction of piggery shed at an estimated cost of ₹ 13.20 lakh with a stipulation to complete the work within six months. The Director, BAD released ₹ 10 lakh to the President, SHG between March 2007 and November 2009.

Scrutiny (January 2011) of records of the Director, BAD revealed that the balance amount of ₹ 3.20 lakh for the project was lying unspent with the Director, BAD and there was no record of completion of the work or the farm being made operational. To ascertain the actual status, a joint physical verification was conducted by Audit and the Executive Engineer, BAD in the presence of the President, SHG on 18 January 2011 and it was observed that:

- A RCC shed with CGI sheet roofing with provision for seven pig sties had been constructed;
- Another RCC shed (5.3 metre x 3.6 metre) with CGI sheet roofing was also constructed adjacent to the pig shed. From debris lying around, it also appeared that another similar type of structure had also been built but subsequently demolished; and,
- The farm did not have any pigs nor was there any evidence to suggest that the farm was ever operationalised.



Piggery Shed, Nongsning

On the above being pointed out in February 2011, the BAD Department stated (May 2011) that the farm could not be operationalised due to objections raised by the local village committee and the SHG had instead decided (March 2011) to utilise the infrastructure for setting up a restaurant. The reply was untenable and an afterthought

because the premises, as could be seen from the photograph, cannot be used as a restaurant and furthermore, the village committee's objection letter was dated 07 February 2011, i.e., after the date of the joint physical verification. Further, during the joint physical verification, the President, SHG stated that after completion of the civil works, he had approached BAD several times to release the balance funds for purchasing pigs but was told that the SHG should purchase the same from its own resources. Being short of funds, the SHG then gave up the idea of the pig farm.

Thus, due to non-release of funds required for purchase of pigs despite provisions in the estimate approved by the DAH&VO and lack of monitoring the construction work of the farm, the piggery farm could not be made operational even after three years of the stipulated date (September 2007), thereby rendering the expenditure of ₹ 10 lakh unfruitful.

The Secretary, BAD Department stated (November 2011) that as the project was located adjacent to the national highway and the area had developed into a commercial hub, the beneficiaries had proposed to convert the facility to a mini restaurant and that Government had approved the proposal with the condition that the mini restaurant was to be completed by 31 March 2012.

HEALTH AND FAMILY WELFARE DEPARTMENT

2.6 Unproductive expenditure on construction of health centres

Five Primary Health Centres and four Community Health Centres constructed at a cost of ₹ 12.84 crore were yet to be put to use thus rendering the entire expenditure unproductive.

The Executive Engineer, Health Engineering Wing (EE, HEW) under the Director of Health Services, Medical Institutions (DHS, MI) GOM is responsible for the construction of all residential and non-residential buildings of the Health & Family Welfare Department (H&FWD).

An examination of the records of the EE, HEW and DHS, MI in April 2011 revealed that five Primary Health Centres (PHCs) and four Community Health Centres (CHCs) whose construction was sanctioned by the Government between March 2001 and January 2009 at a total cost of ₹ 12.07 crore, were completed between September 2006 and August 2010 at a cost of ₹ 12.84 crore. However, as of April 2011 all the nine PHCs/CHCs were still not operational for reasons shown below:

Table 2.2

(₹ in lakh)

Sl. No.	Location of CHC/PHC	Month/year of Sanction	Sanctioned amount	Month/year of completion	Total cost	Reasons for non-utilisation
East Khasi Hills District						
1.	Khatarshnong PHC	March 2002	66.55	September 2009	88.43	Lack of electricity and water supply.
2.	Mawsiatkhniam PHC	March 2003	74.12	February 2008	82.88	
3.	Mawkhliaw PHC	March 2002	63.49	September 2009	76.87	
4.	Weilyngkut PHC	March 2007	124.00	October 2009	124.00	
Jaintia Hills District						
5.	Nongbah CHC	March 2001	138.35	September 2006	140.00	Lack of electricity.
6.	Namdong CHC	December 2003	191.35	November 2009	149.76	Lack of electricity and water supply.
West Khasi Hills District						
7.	Laitdom PHC	March 2007	121.33	September 2009	121.30	Lack of electricity and water supply.
East Garo Hills District						
8.	Dainadubi CHC	December 2003 (Original)	184.72	June 2009	260.10	Lack of electricity.
		January 2009 (Revised)	245.40			
9.	Mendipathar CHC	November 2003	182.60	August 2010	240.45	Lack of electricity and water supply.
Total			1207.19		1283.79	

Source: Information furnished to Audit by DHS, MI and EE, HEW

Further scrutiny revealed that:

- Though the District Medical & Health Officers (DM&HO) of Jaintia Hills and East Garo Hills had paid the Meghalaya State Electricity Board¹⁴ (MeSEB) for the electricity connections for Nongbah and Dainadubi CHCs in June 2008 and June 2009 respectively, the MeSEB was yet to provide the service connections nor had the two DM&HOs ever pursued the matter with MeSEB;
- In respect of the remaining five PHCs and two CHCs, the concerned DM&HOs had submitted the required test reports to the MeSEB for preparation of estimate/bill, but the latter was yet to act on the same and nor had the DM&HOs followed up this matter with the MeSEB; and,
- Barring Nongbah and Dainadubi CHCs, none of the remaining five PHCs and two CHCs had a water supply connection – Audit did not come across any evidence to suggest that the concerned DM&HOs, the DHS, MI or the H&FWD had taken up this issue with the concerned authorities to address the problem.

¹⁴ The MeSEB was corporatised as Meghalaya Energy Corporation Limited on 01 April 2010.

It was additionally observed that:

- the H&FWD had sanctioned staff for Mawsiatkhnem and Mawkliaw PHCs in May 2010;
- proposals for sanction of staff for Khadarshnong, Weilyngkut and Laitdom PHCs and Nongbah and Namdong CHCs were submitted by DHS, MI to the H&FWD between April 2009 and May 2011¹⁵ which the latter was yet to approve; and,
- the DHS, MI was yet to submit proposals to the H&FWD for sanction of staff for Dainadubi and Mendipathar CHCs though these facilities were completed in June 2009 and August 2010 respectively.

Thus, the inaction of the DM&HOs, DHS, MI and the H&FWD to make the PHCs/CHCs functional resulted in the expenditure of ₹ 12.84 crore incurred on the construction of five PHCs and four CHCs remaining unproductive, besides depriving the intended beneficiaries of proper health care facilities.

The H&FWD stated (November 2011) that necessary steps would be taken to make the PHCs/CHCs functional at the earliest.

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.7 Unproductive expenditure on a water supply scheme

Due to non-completion of the construction of a Treatment Plant, an expenditure of ₹ 2.76 crore remained unproductive besides depriving 6,001 people in eight villages the benefit of safe drinking water.

In March 2004, the Government accorded administrative approval for taking up the “Umden Combined Water Supply Scheme” at an estimated cost of ₹ 3.13 crore. Under the scheme, 6,001 people in eight villages were to be provided safe drinking water on completion of the project in three years. The various components of the scheme *inter alia* included construction of Headwork and Gravity Main; laying of Clear Water Main, Distribution Main, Zonal and Sub-zonal reservoirs; laying of Distribution system; construction of Treatment Plant and Clear Water Reservoir *etc.*

Scrutiny (September 2011) of records of the Executive Engineer (EE), Rural Water Supply Division, Nongpoh revealed that all the above components had been taken up and completed at a cost of ₹ 2.76 crore except the Treatment Plant, as per details below:

¹⁵ PHCs: Khadarshnong in June 2010, Weilyngkut in April 2009, and Laitdom in April 2009
CHCs: Nangbah in May 2011 and Namdong in May 2011

Table 2.3

Component	Completed in	Expenditure incurred (₹ in lakh)
Construction of Headwork and Gravity Main	September 2006	112.54
Laying of Clear Water Main, Distribution Main, Zonal and Sub-zonal reservoirs	December 2006 to December 2009	40.69
Laying of Distribution system	March 2007 to November 2010	31.41
Clear Water Reservoir	March 2008	15.32
Treatment Plant	Completed 80 per cent	34.64
Other miscellaneous items of work	-	41.18
Total		275.78

Source: Information furnished by the EE.

It was further noticed that the work of construction of Treatment Plant and Clear Water Reservoir was awarded to a contractor in October 2005 at his tendered value of ₹ 40.09 lakh. The work was to be completed within 24 months i.e., by October 2007. The contractor however, stopped work in January 2008 after completing the construction of the Clear Water Reservoir only. The value of work done by the contractor was ₹ 25.52 lakh against which he was paid ₹ 25.45 lakh.

As per the agreement executed with the contractor, in the event of delay in completion of the work by the contractor, the EE had the power to rescind the contract and get the balance work done departmentally or through another contractor at the cost of original contractor. However, other than issuing 12 reminders between January 2008 and May 2011 to the contractor, no action was taken by the EE to rescind the contract and to get the balance work done departmentally or through another contractor. As a result, the work stipulated for completion by October 2007, remained incomplete even after lapse of four years.

Thus, due to failure of the contractor to complete construction of the Treatment Plant and of the EE to enforce the terms of the agreement executed with the contractor, the scheme remained unfinished even after more than four years from its scheduled completion. This not only rendered the expenditure of ₹ 2.76 crore so far spent on the scheme unproductive but also denied 6,001 people in eight villages the benefit of safe drinking water. In February 2011, the EE had noted that “*due to non completion of the Treatment Plant the public are getting impatient as they want commissioning of the scheme at the earliest*”.

The Public Health Engineering Department stated (November 2011) that except mechanical parts of the treatment plant, all the components of the scheme were completed and the villagers of eight villages were provided with water since 2008-09 after treating the same through clariflocculator and filter unit as well as after chlorine, lime and alum dosing. The reply was not acceptable because –

- had there been proper supply of safe drinking water, there would not have been any scope for the public getting impatient as noted by the EE;
- as per information furnished to the Additional CE by the EE in July 2008, the works for stilling chamber flash mixer and flocculator were not even started till July

2008 and the clarifier and chemical and filter house were partially completed. Further, as per information furnished to Audit by the EE in September 2011, laying of distribution system in three out of eight villages were completed in March and September 2007 and in the remaining five villages this system was completed between March 2010 and November 2010. In absence of these facilities, the claim of the Department about supply of treated drinking water to eight villages since 2008-09 was questionable.

Undue favour

URBAN AFFAIRS DEPARTMENT

2.8 Unauthorised allotment of land to a Society

Unauthorised allotment of land to the Civil Service Officers Housing Co-operative Society as well as incorrect fixation of premium at a lower rate resulted in undue financial benefit of ₹ 78.42 lakh to the Society besides allotment of land in excess of the prescribed limit.

For construction of houses for its members, the Civil Services Officers Housing Co-operative Society Ltd. (Society)¹⁶ in January 2006 applied to the Revenue Department (RD) for allotment of 45.01 acre plot of Government acquired land in the New Shillong Township (NST)¹⁷. The Urban Affairs Department (UAD), which was the Nodal Agency for the NST project, in August 2008, conveyed to the Society, Government's approval to allot the 45.01 acre plot on 99 years lease on payment of a one-time premium of ₹ 19.61 lakh and annual land revenue at ₹ 494 per hectare as fixed by the Deputy Commissioner, East Khasi Hills District (DC, EKHD). The Society accordingly deposited the premium in October 2008, signed the lease deed in February 2009 and took possession of the plot in May 2009.

With respect to the above allotment, Audit makes the following observations:

➤ ***Decision of the Cabinet was misrepresented/Allotment of Government land only by a Cabinet sub-committee***

The Minister, UAD in May 2008 approved the allotment of land to the Society based on the views of senior functionaries of the two main departments involved in the process, viz, the RD and the UAD and the Chief Secretary (CS), to the effect that allotment of land to the Society would be in line with the Cabinet's decision dated 09 August 2007. This was a patent misrepresentation of facts as the said Cabinet decision could not in any way be construed as approving or authorising allotment of land to the Society as it read: *"The Cabinet directed the Revenue Department to examine feasibility of allotment of land to professionals, bureaucrats etc. who could contribute*

¹⁶ Society comprises of serving/retired officers of the Government of Meghalaya

¹⁷ New Shillong Township is in Mawdiangdiang village situated 13 kilometers North-East of Shillong

to the development of the State". Rather, the RD was required to study the viability of allotting land to professionals/bureaucrats and thereafter, submit its considered view on this issue to the Cabinet. This was, however, not done.

Further, RD's Office Memorandum No. RDS/79/86/35(a) dated 02 June 1989 stipulates that Government land in the State can only be allotted by a decision of the Cabinet sub-committee. However, this was never brought out by the RD or the UAD when processing the Society's application. In December 2010, the UAD contended that "land was allotted to the Society in consultation with the Revenue Department and approval of the Cabinet is not required". The reply was unacceptable in view of the stated position.

➤ ***Incorrect calculation of one-time premium by the DC, EKHD***

It was observed that DC, EKHD in June 2008 had assessed the market value of the 45.01 acre plot at ₹ 1.96 crore and fixed the one-time premium to be paid by the Society at 10 per cent of the market value, i.e. ₹ 19.61 lakh in accordance with "para (b) of Revenue Department's letter No. RDS.37/88/144 dated 22 May 1992". Scrutiny of this letter, however, revealed that this rate was only applicable in respect of Government land allotted for 'socio-cultural and agricultural purpose'. In respect of the plot allotted to the Society, the correct rate to be applied was as per para (c) of the letter *ibid* which prescribed the premium payable for un-encroached Government land allotted for 'residential purpose' at 50 per cent of the market value of the land. Computed at this rate, ₹ 98.03 lakh should have been paid by the Society instead of ₹ 19.61 lakh. This resulted in undue financial benefit of ₹ 78.42 lakh to the Society.

➤ ***Land allotted in excess of prescribed limit***

While the request of the Society for allotment of land was under consideration, the Commissioner and Secretary, UAD in December 2006 informed the Society of the CS's decision that a plot for each Society member should not exceed 300 sq mtrs i.e., 3,229 sq ft¹⁸. Since the Society's membership was limited to 50 members as per its bye-laws¹⁹, computed with reference to this number it should hence have been allotted 1,61,450 sq ft.²⁰ of land instead of 45.01 acre i.e., 19,60,636 sq ft²¹. Even allowing 25 per cent of the land, i.e. 4,90,159 sq ft, for common facilities like internal roads, drainage, etc., the area of each plot of the 50 Society members thus worked out to 29,409.54 sq ft²², i.e. 811 per cent more than what the UAD had stipulated for each member. The UAD in December 2010 stated that the CS had in March 2010 reviewed the decision taken earlier and decided that members would be given plots with an upper limit of 10,000 sq ft. However, no supporting document to this effect was furnished even though called for in May 2011.

¹⁸ One sq mtr = 10.76 sq ft

¹⁹ bye-laws filed with the Registrar of Co-operative Societies, EKHD

²⁰ 3229 sq ft X 50 members = 1,61,450 sq ft.

²¹ 45.01 acre @ one acre = 43,560 sq ft.

²² (19,60,636 sq ft. minus 4,90,159 sq .ft) ÷ 50 = 29,409.54 sq ft.

The Principal Secretary, UAD in November 2011 further stated that (a) “*action points arising out of Cabinet decisions need not be placed again to the Cabinet unless specifically directed by the Cabinet*” and “*the competent authority to allot the land in NST was the Minister, UAD*”; (b) the RD was the competent authority to fix the premium and the lease rent and since the allotment of land to the Society “*was for social and residential purpose as a welfare measure*” the RD had correctly fixed the premium and lease rent in this case; and (c) “*as informed by the Society*” to the UAD, only 25 per cent of the land allotted to the Society was available for residential purposes as the remaining 75 per cent would be used for facilities like sports ground, shopping complex, roads, water tanks, wasteland, etc.

The reply at (a) above was not acceptable since the Cabinet’s decision was a direction to the RD to examine the “*feasibility of allotment of land to professionals, bureaucrats, etc.*” Further, the Minister, UAD was not the competent authority to allot land in NST in view of the RD’s Memorandum RDS/79/86/35(a) dated 02 June 1989 which stipulated that Government land can only be allotted by a Cabinet sub-committee. The reply at (b) was also unacceptable as the RD should have strictly fixed the premium and lease rent in respect of the land allotted to the Society as per the rates explicitly prescribed under its own letter No. RDS.37/88/144 dated 22 May 1992. With respect to the reply at (c), the UAD’s confidence in the veracity of the information furnished by the Society that only 25 per cent of the land was available for residential purposes was premature and unproven since it was not supported by any documentary evidence and the Society was not required to furnish its development/allotment plans for the land to the UAD.

Regularity Issues and Others

HOME (POLICE) DEPARTMENT

2.9 Non-realisation of dues for deployment of police personnel

Expenditure of ₹ 2.68 crore incurred on payment of salaries of police personnel deployed with various organisations for five months to over 15 years remained unrealised.

The Department provides police personnel to various organisations²³ for security duties on the condition that their salaries would be reimbursed by the borrowing organisations on presentation of bills by the Office of the Director General of Police (DGP), Meghalaya.

Scrutiny (January 2010 and May 2011) of records of the DGP and further information received (December 2011) from the Home (Police) Department revealed that six organisations were to reimburse to the DGP ₹ 3.69 crore being the salaries of police

²³ Central Government offices, public sector units and private companies.

personnel provided to them during April 1995 to June 2011. Four organisations made part payments totalling ₹ 1.01 crore while the balance ₹ 2.68 crore remained unrealised till date (November 2011). The details are given below:

Table 2.4

(₹ in lakh)

Sl. No.	Name of organisation	Period of claims	Amount of bill	Amount paid	Amount unrealised
1.	United Bank of India, Jowai	April 1995- March 1996	4.33	2.89	1.44
		April 1996 to March 1997	4.82	0	4.82
		April 1997 to March 1998	4.88	3.25	1.63
		April 2003 - March 2004	7.82	0	7.82
		April 2004 to March 2011	54.60	0	54.60
2.	Airport Authority of India, Umroi	March 1997 - February 2008	103.67	0	103.67
		March 2008 to March 2011	40.82	0	40.82
3.	Superintendent of Police (CBI/ACB), Shillong	July 2009 to March 2011	18.20	11.08	7.12
4.	Doordarshan Kendra, Laitkor, Shillong	September 2009 to June 2011	31.03	28.45	2.58
5.	M/s Larfage Umiam Mining Pvt. Ltd., Shella	October 2009 to March 2011	35.88	0	35.88
6.	All India Radio, Shillong	October 2009 to March 2011	62.79	55.57	7.22
Total			368.84	101.24	267.60

Source: Information furnished by the DGP and Home (Police) Department

Audit observed that unrealised dues from various organisations had accumulated primarily on account of the fact that the DGP did not have any institutionalised mechanism to raise bills on a regular basis (monthly, quarterly or six-monthly as the case may be) and failure to vigorously pursue the arrears in payment with the organisations concerned on a sustained basis. These systemic weaknesses had led to the non-realisation, for periods ranging from five months to over 15 years, of a total of ₹ 2.68 crore spent by the Department on salaries of police personnel provided to the above organisations.

The Home (Police) Department stated (December 2011) that reminders had been issued to the defaulting organisations and a circular had been issued in November 2011 to all District Superintendents of Police in order to streamline the procedure for collection of revenue on regular basis.

General

2.10 Follow up action on Audit Reports

With a view to ensure accountability of the executive about the issues contained in the various Audit Reports, the Public Accounts Committee (PAC) of Meghalaya Legislative Assembly issued instructions (July 1993) for submission of *suo motu*

explanatory notes by the concerned administrative departments within one month of presentation of the Audit Reports to the State Legislature. Review of outstanding explanatory notes on paragraphs included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2009²⁴ revealed that the concerned administrative departments were not complying with these instructions. As of March 2011, *suo motu* explanatory notes on seven²⁵ out of 24 paragraphs of this Audit Report were awaited from various departments.

The administrative departments were required to take suitable action on the recommendations made in the Report of the PAC presented to the State Legislature. Following the circulation of the Reports of the PAC, the departments were to prepare action taken notes (ATNs) indicating action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat. The PAC specified the time frame for submission of such ATNs as six weeks up to 32nd Report of the PAC and six months in 33rd Report. Review of 14 Reports of the PAC involving 13 departments (containing recommendations on 54 paragraphs of Audit Reports) presented to the Legislature between April 1995 and December 1997 (10 reports), in June 2000 (one report), April 2005 (one report), April 2007 (one report) and March 2010 (one report) revealed that none of these departments had sent the ATN to the Assembly Secretariat as of March 2011. Thus, the fate of the recommendations contained in the said reports of the PAC and whether they were being acted upon by the administrative departments could not be ascertained in audit.

2.11 Lack of response to Audit

The Meghalaya Financial Rules, 1981 provide for prompt response by the executive to the Inspection Reports (IRs) issued by the Accountant General (Audit) of the State (AG) to ensure rectificatory action in compliance with the prescribed rules and procedures and accountability for the deficiencies and lapses noticed during inspection. The Heads of offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the AG. Serious irregularities are also brought to the notice of the Heads of the Department by the AG through a half-yearly report in respect of pending IRs to facilitate monitoring of the Audit observations and for taking appropriate corrective action.

Four Audit Committee meetings were held during 2010-11 wherein 330 audit paragraphs relating to transactions of civil and works departments were discussed and 297 paragraphs settled.

²⁴ Audit Report for the year 2009-10 was placed before the State Legislature on 16 March 2011

²⁵ Para 1.2 (Community & Rural Development, Health & Family Welfare, Information Technology, Planning and Public Works Departments), Para 1.3 (Education, Planning, Power and Public Works Department), Para 2.5 (Community & Rural Development Department), Paras 2.11 & 2.14 (Public Works Department), Paras 2.12 & 2.17 (Election Department)

At the end of March 2011, 827 IRs involving 3,272 paragraphs pertaining to the period 1989-90 to 2010-11 were outstanding.

Lack of response to Audit indicated inaction on the part of the departments concerned which in turn was responsible for the recurrence of serious irregularities and loss to Government even after being pointed out in audit.

As such, it is recommended that the Government should look into this matter and revamp the system to ensure proper and quick response of the departments to audit observations in a time bound manner. This would reduce the occurrence of financial irregularities and lapses and help in streamlining administrative and financial systems thereby leading to better governance practices.