

## OVERVIEW

This Report contains Civil and Commercial chapters comprising three performance reviews (including one on Chief Controlling Officer based audit) and 14 audit paragraphs, based on the audit of certain selected programmes and activities and the financial transactions of the Government, audit of Government Companies and Statutory Corporations.

Copies of the audit paragraphs and performance reviews were sent to the concerned Secretaries to the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. In respect of two reviews in this Report, no response was received from the concerned Secretaries to the State Government.

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

## PERFORMANCE REVIEW

### *Pollution Control and Waste Management*

Pollution control is the process of reducing or eliminating the release of pollutants into the environment. Waste management is the collection, transport, recovery and disposal of waste, including the supervision of such operations and after-care of disposal sites. Government of India, under the Environment (Protection) Act, 1986 framed (1998-2000) rules to regulate management of municipal solid wastes and bio-medical wastes to protect and improve the environment. In Meghalaya, while the Meghalaya State Pollution Control Board (MSPCB) is primarily responsible for enforcing the Acts and Rules relating to pollution control and waste management, the actual implementation of these Acts and Rules is the responsibility of various departments/organisations including Public Health Engineering Department.

Poor compliance with rules by the implementing agencies, *viz.* municipal boards and the health care establishments coupled with ineffective monitoring by the MSPCB resulted in continued environmental pollution and health hazards leading to increase in the number of patients suffering from air and water borne diseases. The ambient air quality of Shillong city in particular and the State in general is far from satisfactory mainly because of emission of air pollutants from automobiles. The extent of pollution of air caused by 481 polluting industries was not monitored by the MSPCB. Coal mining activities were being carried out in the State without authorisation. Water of 28 out of 31 water bodies of six districts of the State was not fit for drinking. There was no waste processing facilities in four municipal boards or scientific landfills in all the six municipal boards of the State which resulted in open dumping of mixed wastes. In violation of Bio-Medical Waste (Management and Handling) Rules, 139 (out of 178) health institutions were functioning in the State without authorisation from the MSPCB.

**(Paragraph 1.1)**

## AUDIT OF TRANSACTIONS

### *Fraud/Loss*

Expenditure of ₹ 56 lakh purported to have been incurred by the Community and Rural Development Department on procurement of corrugated galvanised iron sheets remained doubtful.

**(Paragraph 2.1)**

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

**(Paragraph 2.2)**

### *Extra Expenditure*

The Social Welfare Department incurred extra avoidable expenditure of ₹ 88.73 lakh due to retrospective enhancement of the rate of milk powder without any compelling reason.

**(Paragraph 2.3)**

### *Unproductive Expenditure*

Five Primary Health Centres and four Community Health Centres constructed by the Health and Family Welfare Department at a cost of ₹ 12.84 crore remained non-functional rendering the entire expenditure unproductive.

**(Paragraph 2.6)**

Failure of the Public Health Engineering Department to complete construction of treatment plant of 'Umden Combined Water Supply Scheme' meant for providing safe drinking water to 6,001 people of eight villages in Ri-Bhoi District resulted in expenditure of ₹ 2.76 crore incurred on the scheme remaining unproductive.

**(Paragraph 2.7)**

### *Undue favour*

Unauthorised allotment of land by the Urban Affairs Department 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.

**(Paragraph 2.8)**

## **CHIEF CONTROLLING OFFICER BASED AUDIT OF GOVERNMENT DEPARTMENTS**

### *Chief Controlling Officer based Audit of Public Works Department (Roads and Bridges Wing)*

Road network is the only means of communication in Meghalaya and is, therefore, the catalyst of all economic and social activities. The Roads and Bridges Wing of the Public Works Department is responsible for planning and development of the State's road network as well as maintenance and upgradation of existing road network and bridges. The Roads and Bridges Wing has added 6,769.56 kilometre length of road since creation of the State in January 1972.

Several deficiencies were, however, noticed in the functioning of the Wing, such as, non-formulation of State Road Policy, absence of master plan and perspective plan, unrestrained sanction of projects without availability of funds leading to huge pending liabilities and pre-closure and de-sanctioning of projects, lax quality control, *etc.* As many as 169 projects taken up by the Wing were either pre-closed or de-sanctioned rendering an expenditure ₹ 19.71 crore wasteful. There were delays in completion of projects ranging from three months to 14 years due to land disputes, change of alignment, fund constraints, late allotment of works, *etc.* rendering expenditure of ₹ 122.85 crore largely unfruitful. Non-completion of road and bridge projects due to land dispute and discontinuation of works by the contractor resulted in unproductive expenditure of ₹ 2.71 crore. There was unauthorised deviation from the sanctioned estimate which resulted in excess expenditure of ₹ 11.43 crore. Quality control of projects executed by the Roads and Bridges Wing was not accorded due priority as the mandatory specification tests prescribed for Road and Bridge Works, published by the Indian Roads Congress, was not carried out.

**(Paragraph 3.1)**

## **GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES**

### *Overview of State Public Sector Undertaking*

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2011, the State of Meghalaya had 11 working Public Sector Undertakings (PSUs) (Nine companies and two Statutory corporations) and two non-working companies, which employed 4989 employees. The working PSUs registered a turnover of ₹ 457.06 crore for 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 3.03 *per cent* of State Gross Domestic Product indicating a moderate role

played by State PSUs in the economy. However, the State working PSUs incurred an overall loss of ₹ 96.96 crore in the aggregate for 2010-11 as per their latest finalised accounts as on 30 September 2011.

#### *Investments in PSUs*

As on 31 March 2011, of the total investment in State PSUs, 99.65 *per cent* was in working PSUs and the remaining 0.35 *per cent* in two non-working PSU. This total investment consisted of 28.72 *per cent* towards capital and 71.28 *per cent* in long-term loans. The investment has increased by over 76.69 *per cent* from ₹ 896.80 crore in 2005-06 to ₹ 1584.53 crore in 2010-11.

#### *Performance of PSUs*

During the year 2010-11, out of 11 working PSUs, one PSU namely Meghalaya Government Construction Corporation Limited earned profit of ₹ 0.87 crore and remaining ten PSUs incurred loss of ₹ 97.83 crore. The major losses were incurred by Meghalaya Industrial Development Corporation Limited (₹ 25.07 crore), Mawmluh Cherra Cements Limited (₹ 12.54 crore) and Meghalaya State Electricity Board (₹ 56.42 crore). The losses of working PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 66.43 crore and infructuous investment of ₹ 6.66 crore which were controllable with better management. Thus, there is tremendous scope to improve the functioning of PSUs and finalise losses.

#### *Quality of accounts*

**The quality of accounts of PSUs needs improvement. All the 15 accounts finalised by** working PSUs during October 2010 to September 2011 received qualified certificates. There were 12 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated certain weak areas.

#### *Arrears in accounts*

Ten PSUs had arrears of 51 accounts as of September 2011. The PSUs need to set targets for the work relating to preparation of accounts with special focus on arrears. There were two non-working companies as on 31 March 2011. While one non-working company has already been struck off from the records of the Registrar of Companies on 24 June 2011, the other company had not commenced the liquidation process. As no purpose was served by keeping this non-working company in existence, Government needs to expedite closure of this company.

**(Paragraph 4.1)**

## Performance Audit

### *Meghalaya Energy Corporation Limited*

In Meghalaya, distribution of power was carried out by the erstwhile Meghalaya State Electricity Board (MeSEB) which was corporatised on 01 April 2010 as Meghalaya Energy Corporation Limited (MeECL). The performance audit of distribution activities of MeECL was conducted for the period from 2006-07 to 2010-11 to assess whether aims and objectives of National Electricity Policy/ Plans (NEP) were adhered to and distribution reforms were achieved.

### *Financial Management and working Result*

The accumulated losses of the MeECL which increased from ₹ 403.78 crore in 2006-07 to ₹ 540.41 crore in 2010-11 had fully wiped out the paid up capital (₹ 202 crore). Despite revision in tariff on five occasion during 2006-11, the per unit loss increased by ₹ 0.39 from (-) ₹ 1.80 in 2006-07 to (-) ₹ 2.19 in 2010-11 due to increase in cost per unit by ₹ 0.86 during said period.

### *Distribution Network Planning*

The MeECL did not plan/ set target for addition in the distribution network based on the anticipated growth in demand/connected load during any of the five years covered in Performance audit.

### *Rural Electrification*

As on 31 March 2006, out of total 6026 villages in the State (as per 2001 Census), 3568 villages (59.21 *per cent*), were electrified. Under Rajeev Gandhi Grameen Vidyutikaran Yojana (RGGVY), out of the total 6026 villages (including villages already electrified), the MeECL targeted to electrify/intensify total 5388 villages by January 2012 and only 55.89 *per cent* of targeted villages were electrified during the period 2007-11. The planning of MeECL was deficient and the possibility of providing access to electricity for all households by the year 2012 as envisaged under National Electricity Policy (NEP) appears to be remote. In implementation of RGGVY, several other deficiencies like, under utilisation of scheme funds, delayed completion of works, provision of excess capacity of transformers, high variation in the rates of material, *etc* were noticed. The Restructured Accelerated Power Development and Reforms Programme (R-APDRP) meant to strengthen the distribution system and reduce AT&C losses was yet to be taken up for implementation even after lapse of more than three years of its launching in July 2008.

### *Aggregate Technical & Commercial Losses*

Compared to the actual reduction of AT&C losses by 1.42 *per cent* from 41.90 (2006-07) to 40.48 (2010-11), the projection for reduction of AT&C losses by 14.75 *per cent* (36.80 in 2006-07 to 22.05 in 2010-11) during the years 2006-07 to

2010-11 was unrealistic. Value of energy losses in excess of limit allowed by MSERC amounted to ₹ 51.82 crore during the performance audit period.

#### ***Consumer metering***

During performance audit period, against the growth of consumers by 17.45 *per cent*, percentage of metered consumers had increased from 30.57 to 63.01 *per cent*. Despite this, MeECL is still far behind the objective of attaining 100 *per cent* metering by 36.99 *per cent*.

#### ***Operational efficiency***

The state remained largely dependent upon purchase of power. There had been continuous power deficits as compared to the assessed demand as per the Electric Power Survey during the period 2006-07 to 2010-11 except for 2007-08 and the quantum of power deficits was increasing over the said years. Out of the total 1369 Distribution Transformers (DTRs) purchased during 2007-11, purchases to the extent of 577 DTRs (42 *per cent*) could have been avoided had the Work Centre, Sumer timely cleared the backlog of un-repaired DTRs existing as on 31 March 2011. The MTI & Vigilance activities were not commensurate with the number of consumers and the expenditure incurred for maintaining these divisions did not add value to the MeECL's performance.

#### ***Billing and Collection efficiency***

Deficiencies in the billing system, such as non billing of consumers on regular basis, incorrect billing, non-disconnection of power of consumers running with low power factor, *etc.*, were noticed. The collection activities of MeECL also had several shortcomings like, mounting arrears against electricity dues, huge recoveries pending against permanent disconnected consumers, non-disconnection of supply of defaulting consumers and consumers with heavy arrears, *etc.*

#### ***Subsidy Support and Cross Subsidisation***

The outstanding against subsidy receivables from the State Government increased from ₹ 155.15 crore in 2006-07 to ₹ 254.74 crore in 2010-11. As the financial position of the MeECL was not very sound, the viability of the MeECL was heavily dependent on the Government support. The target of bringing the tariff of all the category of consumers within plus or minus 20 *per cent* of ACOS by the year 2010-11 as envisaged in the National Tariff Policy was not achieved by MeECL.

#### ***Energy Conservation***

The MeECL was yet to consider and implement vigorously energy conservation measures and was yet to take up energy audit.

### **Monitoring by top Management**

The MeECL did not have proper Management Information System (MIS) in place for exercising effective control over its activities by top management.

### **Conclusion**

The distribution reforms envisaged under National Electricity Policy/Plans were not fully achieved by MeECL. The increase in the distribution capacity was not commensurate with the pace of growth in demand. MeECL failed to complete the power projects in time leading to high dependence on outside power purchase resulting high cost of power.

The implementation of the centrally sponsored schemes for rural electrification (RGGVY) and strengthening the distribution network (R-APDRP) was not efficient and effective. R-APDRP was yet to be taken up for implementation even after lapse of more than three years of its launching. The AT&C losses of MeECL continued to be high mainly on account of poor billing and collection efficiency, overloading of transmission and distribution network, large number of un-metered connections and stopped/defective meters and theft/pilferage of energy, *etc.* The billing and collection system of MeECL was also not efficient causing adverse impact on the financial health of MeECL.

The guidelines of MSERC were not strictly adhered to as far as addressing the consumer grievances and conducting energy audits were concerned.

### **Recommendations**

The performance audit contains seven recommendations for timely implementation of GoI Schemes, strengthening the distribution network, evolving effective system of billing and revenue collection, expediting the cent percent metering of all consumers and other measures for controlling the AT&C losses, expedite completion of pending power projects for reducing dependence on outside purchase of power, timely redressal of consumer complaints, conducting energy audit and evolving an appropriate MIS, *etc.*

**(Paragraph 4.2)**

### **Audit of Transactions**

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

The erstwhile Meghalaya State Electricity Board failed to safeguard its assets and to ensure encroachment free clear site before award of Hydro Project work, which delayed completion of the project besides avoidable payment of idle charges of ₹ 2 crore.

**(Paragraph 4.3)**

Meghalaya Industrial Development Corporation Limited unduly delayed recovery action against outstanding loan, which resulted in loss of ₹ 62.43 lakh.

**(Paragraph 4.4)**

Ineffective management of industrial parks by Meghalaya Industrial Development Corporation Limited resulted in rental arrears accumulating to ₹ 3.01 crore and land not being optimally used for intended purposes.

**(Paragraph 4.5)**

The indecisive and dithering approach of the State Government in providing the necessary funds to Meghalaya Electronics Development Corporation Limited resulted in loss of ₹ 3.74 crore to state exchequer on account of increased Voluntary Retirement Scheme liability.

**(Paragraph 4.6)**

Inordinate delay by Mawmluh Cherra Cements Limited in restricting the contract demand and connected load as per actual requirement resulted in extra expenditure of ₹ 44.08 lakh towards high demand charges.

**(Paragraph 4.7)**