OVERVIEW

This Report contains chapters on Social, Economic and General Sectors and State Public Sector Undertakings comprising three performance reviews and 12 audit paragraphs, based on the audit of certain selected programmes and activities and the financial transactions of the Government and Public Sector Undertakings.

Copies of the audit paragraphs and performance reviews were sent to the concerned Secretaries to the State Government by the Accountant General (Audit) with a request to furnish replies within six weeks. In respect of two reviews and seven audit paragraphs 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.

SOCIAL SECTOR

Indira Awaas Yojana

Indira Awaas Yojana (IAY) was launched in the State in 1996 to provide financial assistance for construction of houses to rural BPL households. Implementation of IAY in the State was adversely affected due to improper planning, failure of the department to utilise available funds due to poor financial management and ineffective implementation and monitoring of the scheme.

- Priority list and seniority order were not maintained while extending IAY benefit.
- Financial assistance of ₹ 1.81 crore was extended to 396 ineligible persons, who were neither in the BPL list nor in the IAY Waitlist.
- 17 villages having BPL households were totally deprived of the IAY benefits.
- Deduction of Central assistance of ₹ 5.27 crore and ₹ 4.69 crore due to excess carryover beyond permissible limit and short release of State share respectively. There were cases of undue delay in release of funds by the State government.
- Convergence of IAY with other schemes like Total Sanitation Campaign, Rajiv Gandhi Grameen Vidyutikaran Yojana, National Rural Water Supply Programme, *etc*. was inadequate and ineffective in the State thereby failing to achieve the objective of making IAY house a complete dwelling unit.

(Paragraph 1.2)

The Health & Family Welfare Department failed to make a Drug Testing Laboratory functional even after eight years thereby rendering an expenditure of ₹ 80.39 lakh unfruitful.

(Paragraph 1.3)

The Health and Family Welfare Department extended undue patronage to an unlicensed pharmaceutical firm which was functioning without compliance of 'Good Manufacturing Practices' and extended undue financial benefit of ₹ 2.50 crore on purchase of drugs from this firm for use in Government hospitals and health centres.

(Paragraph 1.5)

GENERAL SECTOR

Arbitrary action of the Public Works Department in execution of works for Nongstoin and Nongpoh jails contrary to the State's Financial Rules and exorbitant delay at every stage resulted in an unfruitful expenditure of ₹ 8.40 crore.

(Paragraph 2.2)

ECONOMIC SECTOR

Roads & Bridges funded by Non Lapsable Central Pool of Resources and North Eastern Council

One of the objectives of the Non Lapsable Central Pool of Resources (NLCPR) and the North Eastern Council (NEC) was to develop infrastructure, especially construction of Roads and Bridges (R&B). Though the assets created by the NLCPR and the NEC funds have helped the State to bridge the infrastructural gap to some extent, certain aspects like poor planning, ineffective financial management, tardy implementation and lack of proper monitoring and supervision adversely affected the implementation of these projects.

- The State Planning Department neither submitted the priority lists in time nor was proper analysis of infrastructural gaps conducted.

- Huge amount of funds lying unutilised with State Finance Department indicates that the executing department, *viz.* Public Works Department (PWD), did not have effective arrangement to absorb the allotted funds under NLCPR and NEC funded R&B projects.

- PWD incurred an extra expenditure amounting to ₹ 2.08 crore towards inadmissible items. Certain items of work were executed in excess of the sanctioned provision which resulted in excess expenditure by an amount of ₹ 5.89 crore.

- Allocation of same works to more than one contractor led to an avoidable expenditure to the tune of ₹ 1.59 crore. Injudicious decision of the PWD in selecting the stone quarry led to an avoidable expenditure of ₹ 97.90 lakh on haulage.

- Funds amounting to ₹ 1.38 crore were diverted from NLCPR and NEC funded R&B projects to other works which fell under Special Plan Assistance and other NEC projects

(Paragraph 3.2)

Tourism Development Activities in Meghalaya

Meghalaya is blessed with picturesque landscape of rolling hills, meandering rivers, cascading waterfalls, lush forests, diverse flora and fauna and unique culture and tradition. All these factors present a great potential for development of tourism in Meghalaya. Tourism Department is responsible for the development of tourism sector in the State.

- The Tourism Department did not effectively implement the Tourism Policy 2001. The Department had also not prepared Master Plan for integrated tourism development, training needs analysis and formulation of marketing strategy/plan as envisaged in the Tourism Policy of 2011.

- There were huge unspent balances of Central Financial Assistance ranging between ₹ 29.66 crore and ₹ 63.22 crore during 2008-09 to 2012-13.

- There were undue delays ranging from 30 to 75 months in completion of centrally sponsored projects which led to the State being denied the opportunity to obtain new sanctions for 12 projects amounting to ₹ 67.82 crore.

- In respect of State sponsored projects, no time schedule for completion of the projects was set by the State Government. However, in all these projects, the contractors failed to complete the work within the time specified as per the work orders.

- Due to delay in release of NEC funds by the State Government, there was avoidable extra cost of ₹ 1.28 crore in respect of the project for improvement of Marngar Lake in Ri-Bhoi District into a tourist spot.

- The capacity building programmes undertaken by the Department were not fully effective.

- The Department had not established adequate internal control mechanisms for effective functioning of the various offices under its control.

(Paragraph 3.3)

The objective of creating residential and non-residential infrastructure for seven newly created Community & Rural Development Blocks was yet to be achieved due to the failure of the Department to properly monitor the execution of these works as a result of which an expenditure of ₹ 9.88 crore incurred so far was unfruitful.

(Paragraph 3.4)

Arbitrary decision of the Departmental Tender Committee of the Water Resources Department in rejection of tender of a contractor in connection with the Ajagar Flow Irrigation Project resulted in extra expenditure of ₹ 51.57 lakh, besides delay in completion of the project.

(Paragraph 3.6)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

Overview of State Public Sector Undertakings

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 2013, the State of Meghalaya had 14 working State Public Sector Undertakings (SPSUs) (12 companies and two statutory corporations) and one non-working company, which employed 4518 employees. The working SPSUs registered a turnover of ₹ 461 crore for 2012-13 as per their latest finalised accounts as of September 2013. This turnover was equal to 2.48 *per cent* of State Gross Domestic Product indicating a moderate role played by SPSUs in the economy. However, the working SPSUs incurred an overall loss of ₹ 82.08 crore in the aggregate for 2012-13 as per their latest finalised accounts as on 30 September 2013.

Investments in SPSUs

As on 31 March 2013, of the total investment in SPSUs, 99.70 *per cent* was in working SPSUs and the remaining 0.30 *per cent* in one non-working SPSU. This total investment consisted of *33.53 per cent* towards capital and 66.47 *per cent* in long-term loans. The investment has increased by 14.83 *per cent* from ₹ 1372.41 crore in 2007-08 to ₹ 1575.92 crore in 2012-13.

Performance of SPSUs

During the year 2012-13, out of 14 working SPSUs, two SPSUs namely Meghalaya Government Construction Corporation Limited and Meghalaya Industrial Development Corporation Limited earned profit aggregating to ₹ 2.44 crore and remaining twelve SPSUs incurred loss of ₹ 84.52 crore. The major losses were incurred by Mawmluh Cherra Cements Limited (₹ 18.71 crore) and Meghalaya Energy Corporation Limited (₹ 58.43 crore). The losses of working SPSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. A review of the latest Audit Reports of CAG shows that the SPSUs incurred losses to the tune of ₹ 60.23 crore which was controllable with better management. Thus, there is tremendous scope to improve the functioning of SPSUs and minimise losses.

Quality of accounts

The quality of accounts of SPSUs needs improvement. All the 17 accounts finalised by working SPSUs during October 2012 to September 2013 received qualified certificates. There were thirty seven instances of non-compliance with the Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated certain weak areas.

Arrears in accounts

Fourteen working SPSUs had arrears of 51 accounts as of September 2013. The SPSUs need to set targets for the work relating to preparation of accounts with special focus on arrears. There was one non-working company as on 31 March 2013.The company is under liquidation process as all its employees had opted for VRS in December 2006. As no purpose was served by keeping this non-working company in existence, the Government needs to expedite the process of closure of this company.

(Paragraph 4.1)

POWER DEPARTMENT

Meghalaya Energy Corporation Limited

Extra Irregular Expenditure

Failure of the Meghalaya Energy Corporation Limited to correctly regulate payments to a firm resulted in an extra irregular expenditure of ₹ 226.57 lakh (Transformers: ₹ 120.95 lakh; Service Tax: ₹ 105.62 lakh).

(Paragraph 4.2)

Avoidable Expenditure

Faulty implementation of the solar lantern scheme by the Meghalaya Non-conventional and Rural Energy Development Agency resulted in an avoidable expenditure of ₹ 53.39 lakh besides ineligible retention of central assistance of ₹ 2 crore.

(Paragraph 4.3)

COMMERCE AND INDUSTRIES DEPARTMENT

Meghalaya Industrial Development Corporation Limited

Sanction of loan to a Private Company where the interested Director held substantial shares

The Meghalaya Industrial Development Corporation sanctioned and disbursed a loan of ₹ 45 crore and equity participation of ₹ 6 crore to a private company whose majority shares were held by a Director of MIDC and allowed undue benefit of ₹ 54.23 lakh.

(Paragraph 4.4)

Irregular appointment of staff

44 officers and staff were appointed during April 2004 to May 2013 in the Meghalaya Industrial Development Corporation Limited without following due procedures.

(Paragraph 4.5)