

EXECUTIVE SUMMARY

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This Report contains chapters on Social, Economic, General and Economic (PSUs) Sectors comprising three Performance Audits and seven compliance audit paragraphs which includes compliance audit of the Implementation of the Border Area Development Programme in Meghalaya. The findings are based on the audit of certain selected programmes and activities and the financial transactions of the Government and Public Sector Undertakings.

According to the existing arrangements, copies of the compliance audit paragraphs and performance audits were sent to the concerned Secretaries of the State Government by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. However, out of three performance audits and seven compliance audit paragraphs in this Report, no replies were received against two compliance audit paragraphs from the State Government till the finalisation of the Report (March 2018).

A synopsis of the important findings contained in this Report is presented below:

SOCIAL SECTOR

Performance Audits

Sports Infrastructure in Meghalaya including follow up audit of Performance audit on ‘Development of Sports and Youth Activities in Meghalaya’ which featured in the Audit Report for the year ended 31 March 2012.

The follow up audit of the previous PA showed that none of the recommendations had been fully implemented by the State Government. The State did not have a Sports Policy. The Department had not drawn up comprehensive district wise plans for creation of sports infrastructure. Projects were completed after inordinate delay or were incomplete. The sanctioned post of coaches were still not filled and there were shortages of coaches in all the districts of the State. The maintenance of sports infrastructure was not given priority and sports infrastructure were either not utilised or were in dilapidated condition.

In addition to the above, many sports infrastructure were not available in all the districts of the State. Projects were completed after inordinate delay of more than 16 years. Sports infrastructure were handed over to local community/sports association without any formal agreement spelling out terms of use, maintenance, inspection by the Department, *etc.* There were deficiencies in utilisation and maintenance of JNSC even though it was a major sports infrastructure for Meghalaya. Monitoring both by SSCM and the Director, SYAD was not satisfactory. Funds meant for creation of sports infrastructure were irregularly invested in mutual funds or were blocked up in fixed deposits. The district training centres were not set up. The deficiencies pointed out above were important pointers responsible for the decreasing trend in the number of sports persons from the State participating in the NEGs and the resultant reduction in the number of medals won by them.

(Paragraph 1.2)

Urban Development in Meghalaya

The Performance Audit showed that the institutional mechanism of Urban Affairs Department for planning, development and management of urban areas was not very effective. The UAD had not prepared master plans for eight¹ towns. The master plans of Shillong, Tura and Jowai were prepared without preparing the perspective plan. Project implementation was deficient and ineffective as construction of 1560 housing units under BSUP, ISDP and IHSDP were either not completed or not allotted. This deprived 1208 beneficiaries the benefit of housing facilities. Solid Waste Management Project at Tura and Nongpoh were not commissioned even after incurring an expenditure of ₹ 14.56 crore over a period of eight years. The Greater Shillong Water Supply Project Phase-III sanctioned in October 2008 was far from completion even after incurring an expenditure of ₹ 171.25 crore. Procurement of 240 buses under Jawaharlal Nehru National Urban Renewal Mission to strengthen the public transport in Shillong was incomplete. There was wasteful expenditure of ₹ 1.02 crore on construction of the Sewerage Treatment Plant at Mawbah. Construction of shopping complex for migratory rural vendors-cum-parking infrastructure at Nazing Bazar, Tura was stopped from July 2016 which resulted in unfruitful expenditure of ₹ 9.11 crore. Implementation of e-Governance project in Shillong Municipal Board (SMB) sanctioned in March 2012 was incomplete and funds to the tune of ₹ 2.73 crore were lying idle. Monitoring and evaluation of the schemes was inadequate and ineffective. The Meghalaya Town & Country Planning Advisory Council and the State Level Coordination Committee failed to meet. Social Audit was also not conducted. Financial management was inefficient. GoI did not release ₹ 12.37 crore due to non-compliance with scheme guidelines, failure to complete the projects within the stipulated time, *etc.* Scheme funds amounting to ₹ 201.32 crore were kept in fixed deposits and interest of ₹ 4.27 crore earned out of those funds were utilised to meet the administrative and operational expenses of MUDA.

¹ Baghmara, Williamnagar, Resubelpara, Nongpoh, Nongstoin, Umroi, Sohra and Mairang

Urban development in Meghalaya was thus affected to the extent that there were short-comings in the institutional mechanism for planning, development and management of urban areas. The developmental schemes/projects were implemented haphazardly as a result projects were stopped or remained incomplete. The completed projects also suffered from lack of adequate civic and social amenities. The citizen centric services like benefits of e-governance, transport facilities for urban population, housing facilities for slum dwellers, solid waste management, water supply, *etc.* could not be extended to the beneficiaries in the manner envisaged under the schemes.

(Paragraph 1.3)

ECONOMIC SECTOR

Compliance Audit Paragraphs

Implementation of Border Areas Development Programme in Meghalaya

The objective of BADP was to meet the special development needs of the people living in remote and inaccessible areas situated near the international border. It was envisaged to saturate the border areas with the required essential infrastructure through convergence of Central/State/Local schemes. It was a major intervention strategy of the Central Government to bring about a comprehensive development of border areas by supplementing the State Plan Funds to bridge the gaps in socio-economic infrastructure on one hand and by improving the security environment in border areas on the other.

The State had however, not been able to fully achieve the desired objectives because of the shortcomings in the implementation of the programmes. The schemes suffered from planning deficiencies as baseline survey of all notified border villages was not conducted. The available baseline survey was also not updated regularly inspite of implementation of many works during 2012-17. The objective of saturating strategic border villages was not met. This was mainly due to non-convergence of BADP with other Central and State Schemes and also due to implementation of BADP projects in non-strategic villages coupled with execution of inadmissible works. Priority was also not directed towards creating infrastructure identified as gaps during baseline survey. This compromised the strategic villages in becoming saturated as envisaged under the scheme. Weightage to different sectors and all the border blocks were not adequately given while preparing the Annual Action Plan. Projects were not being completed on time and there was absence of serious effort in ensuring community participation by way of sharing the cost of assets. The objective of preventing migration was defeated as the trained persons were provided placement outside the border villages thereby encouraging migration. Monitoring and evaluation of the scheme was not satisfactory by way of review of the schemes by SLSC, inspection at all levels and follow-up on the recommendations of the Third Party Inspection Reports.

(Paragraph 2.2)

Failure of the Division/Department to prepare the estimates for balance works had resulted in the expenditure of ₹ 11.10 crore incurred on Nongtraï-Sheïla and Balat-Bagli roads becoming unfruitful. Besides the incomplete Nongtraï-Sheïla had also been left exposed to the vagaries of nature for the last three years leading to its further deterioration.

(Paragraph 2.3)

Delay in sending proposal/sanctioning manpower for two Vocational Training Centres at Khliehtyrshi and Manai and for the seven newly constructed veterinary dispensaries and failure to seek sanction for manpower for the three new veterinary dispensaries had rendered the expenditure of ₹ 9.99 crore unfruitful.

(Paragraph 2.4)

GENERAL SECTOR

Compliance Audit Paragraph

A police academy could not be completed in time and as the Finance Commission award period is over, State would have to complete the project with its own funds as it had lost central grant of ₹ 25 crore and meanwhile, till the facility is completed, the objective (training of policemen) would not be achieved.

(Paragraph 3.2)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)**Performance Audit****Financial Management of Meghalaya Energy Corporation Limited and its three Subsidiary Companies**

As part of the power sector reforms in the State, the erstwhile Meghalaya State Electricity Board was unbundled (March 2010) into four companies viz., Meghalaya Energy Corporation Limited (MeECL), the holding company and its three subsidiaries, Meghalaya Power Generation Corporation Limited (MePGCL), Meghalaya Power Transmission Corporation Limited (MePTCL), and Meghalaya Power Distribution Corporation Limited (MePDCL). The Performance Audit was conducted to review the financial management of MeECL and its three subsidiaries covering the aspects relating to planning, revenue generation, borrowing and debt servicing activities during the period from 2012-13 to 2016-17.

The financial management of MeECL and its subsidiaries was plagued by absence of administrative and financial autonomy to the subsidiaries to manage their individual revenues and expenditures. Revenue generation by MePDCL, which is the main revenue earning subsidiary of MeECL, was inadequate due to high power purchase costs and poor billing and collection efficiency. The Technical and Commercial losses stood at around 35 *per cent* during 2016-17. The revenue realised from sale of power during the five years (2012-17) was not sufficient to meet even the power purchase cost (including transmission/wheeling charges). Poor servicing of debts and excessive dependence on borrowings from financial institutions placed them in a debt trap situation. MeECL defaulted repayment in about 86 *per cent* of the loan instalments during 2012-17 leading to high incidence of additional interest and penal charges.

Lack of effective budgetary planning and control further worsened the financial conditions of MeECL. MeECL and its subsidiaries utilised only about 16 *per cent* of the available financial resources on creation of fixed assets during the audit period. Reluctance of GoM to release committed subsidies annually (accrued to ₹ 798.39 crore) had also aggravated the operational performance of MeECL and subsidiaries.

The internal control and monitoring mechanism prevailing in MeECL and subsidiaries was found lacking. There was no appropriate system in place for periodical review and monitoring of important operational areas at top management level.

(Paragraph 4.2)

Compliance Audit Paragraph

Meghalaya Industrial Development Corporation Limited parked its Scheme funds (₹ 9.30 crore) in a 'non-interest bearing' account which led to an interest loss of ₹ 1.98 crore.

(Paragraph 4.3)

There were delays in remitting the EPF contribution to the Employees Provident Fund Organisation by Mawmluh Cherra Cements Limited which resulted in avoidable expenditure of ₹ 58.84 lakh towards interests and damages.

(Paragraph 4.4)

There was inordinate delay on the part of Mawmluh Cherra Cements Limited in initiating timely action for enhancing the Authorised Share Capital which led to an avoidable expenditure of ₹ 22.50 lakh

(Paragraph 4.5)